Fiscal Note 2017 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	SB0260		**Title:**	Revise education funding laws related to oil and gas production taxes
Primary Sponsor:	Moore, Frederick (Eric)		**Status:**	As Amended

- ☑ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	$0	$4,130,398	$4,106,070	$4,289,726
State Special Revenue	$0	$5,900,569	$5,865,816	$6,128,180
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	($4,130,398)	($4,106,070)	($4,289,726)

Description of fiscal impact: SB 260, as amended, distributes excess oil and natural gas production taxes above the limits school districts are allowed to maintain to school districts impacted by oil and natural gas development. These monies would have been distributed to the state special revenue guarantee account and other state special revenue accounts. The offset of decreased revenue to the state special revenue guarantee account must be paid by the state general fund beginning in FY 2017 at a cost of approximately $4.1 million per year.

FISCAL ANALYSIS

Assumptions:

1. Current law, 20-9-310, MCA, to sunset June 30, 2016, allows school districts to retain 130% of the school district's maximum budget amount of oil and natural gas production taxes revenue (ONGPTR). There are some exceptions allowing districts with maximum general fund budgets of less than $1.5 million to retain ONGPTR up to 150% of the district maximum general fund budget.

2. Current law directs the Department of Revenue to deposit excess ONGPTR to the State School Oil and Natural Gas Distribution Account to be distributed by the Office of Public Instruction (OPI) according to 20-9-310(4), if the legislature appropriates funds to OPI for this purpose. This distribution is referred to as the "concentric circle" distribution. The purposes of the distribution are:
   a. To schools that are in the same unified school system as the district that would have initially received the Oil and Natural Gas Production Taxes revenue, up to 130% of the receiving school district's maximum general fund budget.
   b. To school districts that are immediately contiguous to the district that would have initially received the production tax revenue, up to 130% of the receiving school district's maximum general fund budget.
   c. To school districts that are in the same county as the district that would have initially received the production tax revenue, up to 130% of the receiving school district's maximum general fund budget.
   d. To school districts located in counties contiguous to the district that would have initially received the production tax revenue and have had a horizontally completed well drilled in the prior three years according to the Department of Natural Resources and Conservation, up to 130% of the receiving school district's maximum general fund budget.
   e. Any remaining funds are to be deposited 70% to the Guarantee Account, 5% to the State School Oil and Natural Gas Impact Account, and 25% to the County School Oil and Natural Gas Impact Fund.
3. According to current law, beginning July 1, 2016, 20-9-310, MCA, would direct any excess ONGPTR retained by the Department of Revenue on behalf of school districts to be distributed to the state special revenue state school oil and natural gas distribution account which is then to be distributed by OPI as follows:
   a. 70% to the state special revenue (SSR) Guarantee Account;
   b. 5% to the SSR State School Oil and Natural Gas Impact Account; and
   c. 25% to the County School Oil and Natural Gas Impact Fund.
4. SB 260, as amended, directs OPI to distribute, effective July 1, 2016, the excess ONGPTR to school districts that are directly impacted by oil and natural gas development, but that receive insufficient oil and natural gas revenues to address the oil and natural gas development impacts. OPI is directed to establish two independent negotiated rulemaking committees to consider issues for the purpose of reaching a consensus to develop proposed rules for the distribution of the funds.
5. One committee would include public school officials and public school employees from school districts located in or immediately adjacent to a county in which oil and natural gas production taxes are generated. The committee would also include professional organizations representing these public school officials and employees. This committee would develop rules for distribution of 50% of the funds available.
6. The second committee would include public school officials and public school employees from school districts around the state and professional organizations representing these public school officials and employees. This committee would propose rules for distributing 50% of the funds available.
7. SB 260, as amended, statutorily appropriates the state school oil and natural gas distribution account (20-9-520, MCA) and the state school oil and natural gas impact account (20-9-517, MCA), both in the state special revenue fund provided for in 17-2-102, MCA.
8. Section 5 of SB 260, as amended, directs that the funds deposited in the state school oil and natural gas distribution account for distribution to school districts and counties are also statutorily appropriated.
9. The bill is effective on passage and approval and terminates June 30, 2024.
10. SSR guarantee account revenues are designated as the first source of funding for K-12 BASE aid. A reduction to guarantee account revenue must be offset by an increase to state general fund expenditures to cover the costs of K-12 BASE aid.
11. In February 2014, the OPI awarded nine grants of up to $75,000 to school districts from the $450,000 available in the state school oil and natural gas impact account. SB 260 eliminates the distribution of

revenue to this account. With passage of SB 260, there would be no future funding for this grant program until FY 2025.

12. To date, the legislature has not appropriated any monies for distribution from the county school oil and natural gas impact account. There is an account balance in that fund, but with passage of SB 260, there would be no future deposits to this account until FY 2025.
13. The following table shows the estimated decreases in funding to the SSR guarantee account; SSR state school oil and natural gas impact account; and the SSR county school oil and natural gas impact fund proposed by SB 260:

Fund	**FY 2017**	**FY 2018**	**FY 2019**
State School O&G Impact (5%)	($295,029)	($293,292)	($306,410)
County School O&G Impact (25%)	($1,475,142)	($1,466,454)	($1,532,045)
Guarantee Account (70%)	($4,130,398)	($4,106,070)	($4,289,726)
TOTAL	**($5,900,570)**	**($5,865,816)**	**($6,128,180)**

Fiscal Impact:	**FY 2016 Difference**	**FY 2017 Difference**	**FY 2018 Difference**	**FY 2019 Difference**
Expenditures:				
Local Assistance	$0	$5,900,569	$5,865,816	$6,128,180
TOTAL Expenditures	$0	$5,900,569	$5,865,816	$6,128,180
Funding of Expenditures:				
General Fund (01)	$0	$4,130,398	$4,106,070	$4,289,726
Guarantee Account (02)	$0	$0	$0	$0
State Schl O&G Impact (02)	$0	$0	$0	$0
County School O&G Impact (02)	$0	$0	$0	$0
State Schl O&G Distrib Acct (02)	$0	$5,900,569	$5,865,816	$6,128,180
TOTAL Funding of Exp.	$0	$10,030,967	$9,971,886	$10,417,906
Revenues:				
General Fund (01)	$0	$0	$0	$0
Guarantee Account (02)	$0	($4,130,398)	($4,106,070)	($4,289,726)
State Schl O&G Impact (02)	$0	($295,029)	($293,292)	($306,410)
County School O&G Impact (02)	$0	($1,475,142)	($1,466,454)	($1,532,044)
State Schl O&G Distrib Acct (02)	$0	$5,900,569	$5,865,816	$6,128,180
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	($4,130,398)	($4,106,070)	($4,289,726)
Guarantee Account (02)	$0	($4,130,398)	($4,106,070)	($4,289,726)
State Schl O&G Impact (02)	$0	($295,029)	($293,292)	($306,410)
County School O&G Impact (02)	$0	($1,475,142)	($1,466,454)	($1,532,044)
State Schl O&G Distrib Acct (02)	$0	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures:

1. School districts and counties will no longer have an opportunity to apply for grants through the state and county school oil and natural gas impact account. However, the funding will be distributed to oil and natural gas impacted school districts.

Technical Notes:

1. SB 260 amends 20-9-518, MCA, directs, "The governing body of a county that has previously received and allocation under 20-9-310 shall maintain a county school oil and natural gas impact fund." The county oil and natural gas impact fund has never been appropriated. Therefore, no county has previously received an allocation pursuant to 20-9-518, MCA, thus this section of statute could be repealed.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Statutory Appropriation 2017 Biennium

17-1-508(2), MCA.

Answer yes or no to each of the following subsections of 17-1-508(2) regarding statutory appropriation analysis in proposed legislation when preparing a fiscal note. **Copy the table below into the fiscal note as the final assumption in the fiscal note.**

State School Oil and Natural Gas Impact Account

1. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	YES	**NO**
a. The money is from a continuing, reliable, and estimable source.		X
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.		X

Comments: There is a June 30, 2024, termination date.

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Statutory Appropriation 2017 Biennium

17-1-508(2), MCA.

Answer yes or no to each of the following subsections of 17-1-508(2) regarding statutory appropriation analysis in proposed legislation when preparing a fiscal note. **Copy the table below into the fiscal note as the final assumption in the fiscal note.**

State School Oil and Natural Gas Distribution Account

1. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	YES	NO
a. The money is from a continuing, reliable, and estimable source.		X
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.		X

Comments: There is a June 30, 2024, termination date.